

Attachment B

March 19, 2003

Windsor Town Council
POB 100
Windsor, CA 95492

Subject: New Water Supply Agreement

Honorable Windsor Town Council Members:

As you know, the process for negotiating a new master water supply agreement with the Sonoma County Water Agency (Agency) has been initiated. The Water Contractors (signers of the Eleventh Amended Agreement for Water Supply) represented by the Water Advisory Committee to the Agency (WAC) have conducted a series of public workshops and meetings over the past year and a half to identify issues to be addressed in the new agreement, culminating in a Framework Issues List. The WAC has invited and appreciates the Town of Windsor's active participation and input in this process. Also, as you know, the WAC has been looking into the cost and other impacts of including the Town of Windsor as a signatory to the new agreement.

Recently the Agency has also distributed an Agency Framework Issues List. Item No. 10 on the Agency's list provides that:

...the Agency would consider addition of the Town of Windsor to the new agreement at such time as the WAC unanimously recommends the inclusion of the Town of Windsor.

The WAC understands that the Town of Windsor has previously expressed an interest in becoming a Water Contractor under the new agreement. It is believed there may be benefits to the Town of Windsor, the existing contractors, and the Agency of having the Town of Windsor be a signatory to the new agreement.

Negotiations and information collection have progressed to the point where the WAC believes it is important to get a more specific indication of interest from the Town of Windsor and information on where the Town of Windsor stands on the Agency's Framework Issues List.

Request for Letter of Continued Interest and Commitment:

Specifically, the WAC requests the Town Council review the following list of conditions the WAC believes are necessary for the Town of Windsor to informally agree to in concept in order for the WAC to consider it fruitful for the Town of Windsor to continue as a participating party in the negotiation process. The WAC requests the Town of Windsor write a letter to the chairman of the WAC stating that the Windsor Town Council sees none of the listed conditions as being "deal breakers" and remains interested in participating as a party in the negotiation and is committed to negotiate detailed language for inclusion of the listed conditions in the new agreement. In order to keep the negotiation process on track, the WAC would appreciate receiving this letter of continued interest and commitment by May 19, 2003. Notwithstanding

this request or the Town of Windsor's response, it is of course understood that issues from individual parties will yet arise and all parties must formally approve the final document negotiated.

Request for Information on the Town of Windsor's Position on Agency's Framework Issues:

The WAC requests that the Town of Windsor carefully consider the Agency's Framework List and provide comments and information on the Town of Windsor's position on these items (please refer to Attachment C to the Revised Draft, SCWA Water Policy Statement 2002 dated December 2002). To assist the Town of Windsor to focus its efforts, the Agency has been asked to point out those items the Agency believes are more significant as it relates to the Town of Windsor and, where appropriate, to spell out in more detail how the Agency sees a given item affecting the Town of Windsor. The Agency's response is attached to this letter. The WAC requests that the Town of Windsor's response to this request for information also be provided by May 19, 2003.

List of Conditions:

1. The Town of Windsor's entitlement to deliveries from the Santa Rosa Aqueduct shall be limited as follows:

Any month of the year	1.7 mgd*
Annual limit during any fiscal year:	650 acre-ft*
2. Payment by the Town of Windsor of its fair share of the Water Supply and Transmission System Project by payment of all charges constituting the total cost of service from the Santa Rosa Aqueduct for each acre-ft of water delivered. Table 1 of the SCWA Water Supply and Transmission System Project Economic and Financial Report - updated September 2001 provides the current best estimate of these costs and the year incurred.
3. The Town of Windsor shall make a lump sum payment for capital revenues forgone due to substituting the new agreement for existing agreements providing for service from the Santa Rosa Aqueduct. The current estimate of the present value of such payments is \$2,300,000. The Town of Windsor may opt to repay this cost over time (including interest costs) as an additional "per acre-ft" charge on water delivered from the aqueduct system. The WAC welcomes discussion/proposal of other alternatives as discussed in the meeting of February 6, 2003 between officials from the Town of Windsor and attending WAC members. The WAC also welcomes discussion of the benefits of merging and/or coordinating Russian River water rights.
4. The unit rate (\$/acre-ft) paid for all water delivered from the aqueduct system shall be the sum of all charges constituting the total unit charge for service from the Santa Rosa Aqueduct (excludes any special charge that may result from Town of Windsor's choice with regard to Item 3 above)**. In addition the Town of Windsor shall fund or implement water conservation projects and policies throughout its entire water service area that will achieve the same level of water savings performance required of the Water Contractors.

Notes:

* It is recognized that the entitlements referred to are estimates intended to meet the water service needs in the Sonoma County Airport Industrial Area and Slusser/Mark West Station Rd area. Final values will be calculated based on the County of Sonoma's Specific Plan for the Sonoma County Airport Industrial Area plus retail (non-surplus) customers in the Slusser/Mark West Station Rd area. It is also recognized that these entitlements are already included in the existing Eleventh Amended Agreement for Water Supply under the category "Other Agency Customers". It is further recognized that the agreement between the County of Sonoma and the Town of Windsor regarding service to the Sonoma County Airport Industrial Area will need to be amended to provide that the Town of Windsor shall not be required to use any of the water it diverts from the Russian River via its municipal well system to meet these water service needs.

** Please note that currently all aqueduct charges include an Operation and Maintenance (O&M) Charge and that said charge currently includes raising funds to help support Water Contractor water conservation programs. Until a cumulative sum of \$15,000,000 has been collected and returned to the cities and special districts that are signatories of the Eleventh Amended Agreement for expenditure on water conservation programs, no portion of such collections will be provided to the Town of Windsor for water conservation programs it implements.

Thank you for considering this request. The WAC looks forward to your continued participation in the negotiation of the new water supply agreement. If you have any questions regarding the provisions outlined in this letter please feel free to call me at 707-543-3930.

Sincerely,

MILES FERRIS,
Chairperson of the Water Advisory Committee to the SCWA

Attachment: Letter from SCWA containing some of the more significant provisions that relate to the Town of Windsor contained in the Agency Framework Issues List.

January 24, 2003

Mr. Miles Ferris
City of Santa Rosa
Utilities Department
69 Stony Circle
Santa Rosa, CA 95401

Subject: New Water Supply Agreement – Town of Windsor

Dear Miles:

At a recent meeting, representatives of the Water Advisory Committee (WAC) requested that the Sonoma County Water Agency (Agency) provide the WAC with an analysis of how the Agency's recently completed document, entitled *Agency Framework Issues for the Restructured Agreement for Water Supply* (Agency Framework Issues List), would affect the Town of Windsor should they become a party to the Restructured Agreement for Water Supply. To address this request, Agency staff developed Attachment A to this letter, which details some of the more significant provisions contained in the Agency Framework Issues List as they relate to the Town of Windsor.

As negotiations move forward, please note that per Item #10 in the Agency's Framework Issues List, the Agency will consider adding the Town of Windsor to the Restructured Agreement for Water Supply at such time as the WAC provides a unanimous recommendation to the Agency requesting inclusion of Town of Windsor. In addition, to assist the Agency in evaluating inclusion of the Town of Windsor, the Agency would like a written response from the Town of Windsor's stating their position for each of the items in the Agency's Framework Issues List, for consideration by the Agency's Board of Directors.

As we move forward in the negotiation process, the Agency looks forward to working with the WAC to develop an agreement that benefits both the Agency and its water contractors. Determining the inclusion of the Town of Windsor is an important step in the process. The Agency appreciates your interest in the Agency Framework Issues List and looks forward to continuing to negotiate towards a Restructured Agreement for Water Supply. I hope the attachment provided is useful to the WAC in its ongoing discussions with the Town of Windsor. If you have any questions regarding the items contained in Attachment A, please feel free to call me at 521-1861.

Sincerely,

Randy D. Poole, P.E.
General Manager/Chief Engineer

c: Board of Supervisors
County Administrator's Office

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**ATTACHMENT A: ANALYSIS OF MAJOR AGENCY
PROVISIONS FOR THE TOWN OF WINDSOR**

The Sonoma County Water Agency's Board recently directed that the Agency's document entitled, *Agency Framework Issues for the Restructured Agreement for Water Supply* (Agency Framework Issues List), which identifies the Agency's main interests in completing a new water supply agreement, be provided to the water contractors and major customers. The Agency is interested in having the Town of Windsor be a party to the new agreement and would like the Town of Windsor to consider the provisions in the Agency's Framework Issues List, and provide written responses stating their positions with regard to those provisions. To assist in this process, Agency staff have provided a more detailed discussion of some of the more significant provisions contained in the Agency-specific Framework Issues List as they relate to the Town of Windsor. For ease of use, the following provisions are numbered according to how they appear in the Agency's Framework Issues List.

2. **Require water contractors to implement minimum of 5 percent urban recycled water reuse (reuse must constitute 5 percent of total supply, including supply from non-SCWA sources; reuse may include groundwater protection for existing potable supplies or supplementation projects, and must offset use of Russian River water).** For the Town of Windsor, this provision would apply to existing water use as well as requests for new supply. The overall goal is to promote the wise and sustainable use of water whereby recycled water is used to offset existing use of potable water. For example, the Town of Windsor may use recycled water for municipal and industrial uses including landscaping, ball fields, roadway medians, or other areas that currently use potable supply. When evaluating requests for new water supplies, the Agency would request that the Town of Windsor demonstrate how the 5 percent urban reuse requirements would be met taking into account the request for new supply.
4. **Require Water Contractors desiring increased supply of water to make a formal presentation to Agency's Board of Directors (Board) requesting such increased supply.** Under this provision, if the Town of Windsor requests new water supplies beyond those authorized in existing agreements, the Town of Windsor would make a presentation to the Agency's Board identifying and explaining the need for additional water supplies. Additionally, the Town of Windsor would provide a resolution by its City Council requesting additional water supply from the Agency, a list of alternatives for achieving additional supply to be evaluated in an environmental document, a plan for implementing 5% urban reuse to maximize offset of Russian River water, and a summary of the steps taken to evaluate water supply needs and demands as part of general plan updates completed within the Town of Windsor's respective service area.
5. **Request the Water Contractors, Marin Municipal Water District (MMWD), Windsor, and other Russian River customers identify and take steps necessary to ensure that water supply, flood control, and sanitation activities within the Russian River watershed and other watersheds where listed fish species occur are conducted in a manner that is protective of listed fish species.** Under this provision, the Agency would request that, as a water

contractor, the Town of Windsor should address the potential impacts of its water supply, sanitation, and flood control operations and activities on listed federal and state species. The Agency is currently completing a Section 7 Consultation process with the U.S. Army Corps of Engineers and the National Marine Fisheries Service to address the impacts of Agency water supply and flood control operations in the Russian River watershed on coho and Chinook salmon, and steelhead. Of particular importance to the Agency is the ultimate recovery of listed fish species in the Russian River watershed. The Agency would like to work with the Town of Windsor to identify steps that can be taken by the Town of Windsor to examine the potential impacts of operations on listed fish species, protect those species to the greatest extent practicable, and to ultimately assist in the recovery of those species.

6. **Request Water Contractors, MMWD, Windsor, and other Russian River customers to support recovery planning efforts for threatened salmonid species per the signed Memorandum of Understanding (MOU) for recovery planning between coastal California counties (including Marin and Sonoma), the NMFS, California Department of Fish and Game, and the U.S. Army Corps of Engineers, and to take such actions as are determined by the Water Advisory Committee to be necessary to support such recovery planning efforts.** In order to ensure recovery of the threatened fish species, the Agency requests that the Town of Windsor support recovery planning efforts, including implementation of policies and actions needed to achieve recovery of healthy and sustainable populations of salmon and steelhead within the North-central California Coast recovery planning domain. Ultimate recovery of salmon and steelhead will require a great deal of cooperation among local and regional agencies as the habitat for these species crosses multiple county, jurisdictional, and ownership boundaries. The Agency is interested in developing a collaborative working relationship with the Town of Windsor to assess steps that the City Council can take to help in the ultimate recovery of listed fish species. Activities would likely include: (1) stream restoration, fish passage projects, or other activities identified during the recovery planning process; (2) compliance activities associated with the federal and state Endangered Species Acts; and (3) updates to planning documents, prepared by the Town of Windsor to include policies protective of listed fish species.
13. **Require Water Contractors, the Agency's Russian River Customers, and MMWD to pay a separate charge in order to pay an appropriate share for the cost of Agency compliance activities associated with the federal and state Endangered Species Acts, as well as other environmental laws and regulations.** Under this provision, the Town of Windsor would provide a fair share to fund the costs of endangered species compliance activities, and other environmental activities needed to maintain the Agency's current and future water supplies. For the Agency's water contractors, the Agency, in consultation with the WAC, would determine the charge and include the charge in the Restructured Agreement for Water Supply. The purpose of the charge is to fund additional

Agency environmental compliance activities that are needed to maintain current and future water supplies. Funds obtained from these charges could be used for activities including the Agency's Section 7 Consultation, projects identified in the Section 7 Consultation that mitigate for impacts to listed fish species from existing or planned Agency water supply activities, projects that modify existing Agency water supply operations to address listed fish species concerns, fisheries restoration projects, riparian habitat acquisitions, recovery planning activities, and other identified costs associated with environmental compliance activities.

16. **Authorize SCWA, following approval of funding by the WAC, to construct and operate appropriate recreational facilities on Agency water supply and transmission system lands.** Under this provision, the Agency would be authorized to construct, maintain, and operate recreational facilities funded or partially funded by the water contractors on existing Agency transmission system lands. The Agency proposes to allow recreational activities on Agency lands so long as the regional water supply and water quality are maintained, and impacts to federally listed species are avoided. Similar to the Agency's existing arrangement with the County of Sonoma's Regional Parks Department for Spring Lake Park (whereby Spring Lake is operated by Parks under contract with the Agency), the Agency could contract recreational services out to another entity.